

Message Text

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ACTION ARA-10

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SUBJECT: INVESTIGATION OF IRREGULARITIES AT EL TABLAZO PETRO-
CHEMICAL COMPLEX

SUMMARY. A SCANDAL OF MAJOR PROPORTIONS CONCERNING THE CONSTRUCTION OF THE EL TABLAZO PETROCHEMICAL COMPLEX HAS BEEN WIDELY REPORTED IN PRESS IN THE LAST FEW DAYS. AN INVESTIGATION INTO THE INSTALLATION OF SUBSTANDARD MATERIALS HAS BEEN INITIATED BY POLICIA TECNICA JUDICIAL AT THE REQUEST OF PRESIDENT PEREZ AND WITH THE CONCURRENCE OF THE COUNCIL OF MINISTERS. THE TWO PRIME CONTRACTORS DRAWING MUCH OF THE CRITICISM AND SUSPICION ARE THE AMERICAN ENGINEERING AND CONSTRUCTION COMPANIES KELLOG (PAN AMERICAN CO.) AND BECHTEL. END SUMMARY.

1. EL TABLAZO'S OLEFINS PLANT WHICH AS TO HAVE BEEN TURNED OVER IN NOVEMBER 1974 IS THE FOCUS OF ACCUSATIONS THAT INFERIOR PIPE WAS INSTALLED. ACCORDING TO PRESS ACCOUNT, PIPE HAS BEEN TRACED TO GOVERNMENT-OWNED STEEL MANUFACTURER SIDOR WHICH SOLD IT TO A VENEZUELAN INTERMEDIARY NAMED AVELLARE. STORY IS ACCOMPANIED BY PHOTOGRAPHS PURPORTING TO SHOW OBLITERATED SPECIFICATIONS AS
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EVIDENCE OF THE FRAUD. WHILE INVESTIGATORS STATE THAT PROBE

WILL INCLUDE SUBCONTRACTORS AND SUPPLIERS, IVP DIRECTOR GENERAL MONTANA MADRID HAS ASSERTED THAT BURDEN OF RESPONSIBILITY RESTS WITH PRIME CONTRACTOR KELLOGG. ATMOSPHERE HAS BEEN FURTHER STRAINED BY STATEMENTS BY SUCH FUNCTIONARIES AS AN IVP SUBDIRECTOR WHO IS QUOTED AS STATING THE LIVES OF WORKERS AND ENTIRE COMPLEX ARE ENDANGERED BY PRESENCE OF THE FAULTY PIPES.

2. THE INQUIRY WAS BROADENED AND TOOK ON A SLIGHTLY DIFFERENT COMPLEXION WITH CHARGE REPORTED DECEMBER 18 THAT FAULTY DESIGN AND EQUIPMENT OF THE NITROGEN PLANT HAD NECESSITATED AN ADDITIONAL EXPENDITURE OF BS. 800MILLION ABOVE INITIAL COSTS. PROJECT'S TECHNICAL DIRECTOR RUDOLFO HORNUNG RODRIGUEZ CONCEDED THAT CONTRACTOR BCHTEL, WHICH BECAME THE RESPONSIBLE PARTY UPON ITS ACQUISITION OF THE ORIGINL U.S. CONTRACTOR, HAD ABSORBED MOST OF COSTS OF RETOOLING. RODRIGUEZ TEMPERED CRITICIMS OF THE OVERRUN SOMEWHAT BY POINTING OUT THAT PLAN CONTAINED MANY PROTOTYPE FEATURES THAT WOULD BE EXPECTED TO HAVE SOME STARTING UP PROBLEMS.

3. HOWEVER, RODRIGUEZ WAS LESS GENEROUS WITH PREVIOUS COPEI GOVERNMENT WHICH INAUGURATED THE PLANT WITHOUT ANY PRELIMINARY TESTING OR SHAKEDOWN, AND, HE IMPLIED, MAY HAVE PRECIPITATED SOME OF THE DIFFICULTIES WITH ITS HASTE.

4. THE INVESTIGATION HAS NOT DETERRED GOVERNMENT OFFICIALS, IVP SPOKESMEN, OR INVESTIGATORS THEMSELVES FROM COMMENTING WIDELY AND VOLUBLY ON CASE. IN ADDITION, AD NATIONAL DIRECTOR DEPUTY HUMBERTO CELLI HAS UNDERLINED THE POTENTIALLY PARTISAN NATURE OF THE SCANDAL BY ADDING HIS VOICE TO THOSE DEMANDING FULL INVESTIGATION. THE DISCLOSURES COME AT A TIME WHEN GOVERNMENT'S ANTICORRUPTION CAMPAIGN IS IN FULL CRY. THE MOST VISIBLE OFFENDERS ARE UNFORTUNATELY IDENTIFIED AS THE TWO AMERICAN COMPANIES, ALTHOUGH THERE MAY BE SOME MITIGATING SPREADING OF BLAME IF LOCAL INTERMEDIARY SUPPLIERS ARE FOUND TO BE RESPONSIBLE FOR ALTERING MATERIALS' DESCRIPTION.

5. COMMENT: WITHOUT DISCOUNTING POSSIBILITY THAT ERRORS IN DESIGN WERE COMMITTED IN THE NITROVEN INSTALLATION AND INFERIOR MATERIAL USED IN THE OLEFINS INSTALLATION, IT SEEMS EQUALLY LIKELY THAT AMERICAN ENGINEERING COMPANIES HAVE BEEN CAUGHT IN PARTISAN LIMITED OFFICIAL USE

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CROSSFIRE AS PRESENT GOVERNMENT ATTEMPTS TO FIX FLAME FOR COMPLEX'S DELAYS AND MOUNTING EXPENSE ON MALFEASANCE OF ITS PREDECESSOR. END COMMENT.
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